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Taiwan

Livestock and Products

Record Beef Imports

2007

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Report Highlights:

Taiwan imported a record amount of U.S. beef in 2006 as consumers enthusiastically responded to the reopening of the market to U.S. beef. Total beef imports also set a record partly due to an increase in beef consumption that is expected to continue. In addition importers built beef stocks, anticipating that the Korean market would open to U.S. beef. Taiwan imports of beef are expected to decline slightly in 2007 as those stocks are drawn down. The local pig industry is under stress due to high corn prices and low product prices as producers reduce the age at which they slaughter animals.

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Taipei [TW1]
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Executive Summary

Consumers enthusiastically responded to the reopening of the market to U.S. beef on January 25th 2006 and were more than happy to replenish their depleted personal stockpiles. At least one retailer relabeled beef from another country as U.S. beef in order to receive higher prices just as the market was reopening. While only boneless cuts are allowed into Taiwan, imports of U.S. beef now exceed those of New Zealand, but still trail Australia, in value terms. Total beef imports also set a record due to an increase in beef consumption and an increase in beef stocks. Consumption is expected to continue to increase, but the stock building was in anticipation that the Korean market would open to U.S. beef. We expect Taiwan imports of beef to decline slightly in 2007 as the stocks are drawn down.

The local pig industry is under stress due to high corn prices and low product prices as producers reduce the age at which they slaughter animals. Eighty percent of swine producers are reportedly losing money in the current environment, and that is without including land costs, depreciation, and the labor of the owners. While most producers are expected to survive, smaller producers are already suffering from high mortality partly due to under investment in new facilities. Taiwan lost its overseas markets ten years ago due to foot-and-mouth (FMD) disease, is currently trying to regain access to Singapore, and is planning to eliminate FMD vaccination. While pork imports are not particularly large, the U.S. exported approximately one billion US dollars of corn and soybeans to Taiwan in 2006, and the difficulties facing the pork and poultry industries place that trade at some risk.

Beef

Supply Situation

Taiwan's beef demand is mainly met by imports. Domestic beef production, mostly from spent dairy cattle, totaled 5,000 mt CWE in 2006. CY2006 beef supply increased 11 percent to 108,000, CWE, thanks to the resumption of U.S. beef imports on January 25, 2006. While beef consumption increased in 2006 is expected to continue to do so in 2007, beef supply is forecast to decrease slightly to 102,000 mt, as importers need to deplete U.S. beef stockpiled since last summer when Taiwan importers expected the Korean market to compete for beef.

Trade

In 2006, Taiwan's total beef imports reached a historic high of 74,337 mt (101,000 mt, CWE, conversion factor 1.36). The statistics in the PS&D table are the sum of beef imports CWE plus 1,857 mt of beef bones (conversion factor 1.0). The 11 percent increase was due mainly to the resumption of U.S. beef imports on January 25, 2006. U.S. beef imports not only set a new record in volume, but also replaced New Zealand as Taiwan's Number 2 beef supplier in terms of import value. Taiwan importers, who feared that U.S. beef would be in short supply or too expensive to afford following Korea's market opening, booked a lot of U.S. beef, notably boneless short ribs, in the 2006 summer.

Comparison of beef imports in 2005 and 2006 is as follows: (in metric tons, PWE)

	U.S.	Aus.	New Zealand	Panama	Nicaragua	Paraguay	Others	Total Imports
2005	7,041	30,254	28,092	1,411	862	0	0	67,660
2006	19,296	28,467	23,208	1,649	1,265	431	21	74,337

Source: Council of Agriculture compiled from Customs data

CY2007 total imports are forecast at 97,000 mt CWE, down 6 percent from the 2006 record as the market works through the current supply. Canadian beef and products were banned entry on May 21, 2003 in response to the detection of BSE in Canada. As instructed, this report assumes that this situation remains in 2007. A Taiwan beef safety delegation just returned from its Canadian visit. Post will report any development over the market access of Canadian beef into the Taiwan market.

Taiwan accepts U.S. fresh/frozen boneless beef derived from animals under 30 months of age. FSIS Forms 9285-1, 9060-5, and the Letterhead Certificate for Boneless Beef Intended for Export to Taiwan FSIS Form 2630-9, are to accompany the products. Effective with an October 9, 2006 slaughter date, beef derived from cattle imported from Canada for immediate slaughter were not eligible. Only those facilities listed under the USDA Verification Program are eligible to export beef to Taiwan. The listing of eligible suppliers to the USDA EV programs can be found on the USDA Agricultural Marketing Service (AMS) website:

<http://www.ams.usda.gov/lsg/LSOfficialListingEVProgram.pdf>

Imports of U.S. beef are estimated at 15,000 mt (20,000 mt CWE) in 2007. The 2007 beef imports and the U.S. share are dependent on changes in international beef food safety policy and market access situation in individual beef importing market. Subsequent updates will be provided to reflect significant changes, like Taiwan's acceptance of Canadian beef or the expansion of the currently-approved meat items.

Beef offal imports were liberalized on Jan. 1, 2002 upon WTO accession. Offal imports are not taken into account in the PS&D table. The recent market opening for U.S. beef does not include offal or processed beef products, which means that the BSE import ban remains for these products.

Comparison of Beef Offal Imports in 2005 and 2006 (mt)

Supplying Source	U.S.	Panama	Australia	Costa Rica	New Zealand	Nicaragua	Total Imports
2005	0	56	785	0	401	110	1,352
2006	0	81	438	12	215	78	824

Source: Council of Agriculture compiled from Customs data

Policy

In June 2006, Taiwan Council of Agriculture approved imports of Jersey cattle. This ended

decades of a Holstein-only policy. In 2006, 131 live cattle, all Jersey breed, were imported into Taiwan from Australia. Due to the heat tolerance of the breed, more Jersey cattle are expected to be imported to this tropical/subtropical island in 2007. However, the Holstein, with more milk output, will remain the most popular breed in the dairy herd.

PSD Table

Country Taiwan

Commodity Meat, Beef and Veal

Commodity Meat, Beef and Veal							(1000 HEAD)	(1000 MT CWE)	(PERCENT)
Market Year Begin	2005 Revised			2006 Estimate		2007 Forecast			UOM
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
			New			New			New
	01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Slaughter									
(Reference)	0	0	0	0	0	0	0	0	0 (1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Production	5	5	6	5	5	5	5	0	5 (1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Other Imports	92	92	92	98	98	103	100	0	97 (1000 MT CWE)
Total Imports	92	92	92	98	98	103	100	0	97 (1000 MT CWE)
Total Supply	97	97	98	103	103	108	105	0	102 (1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Other Exports	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Total Exports	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Human Dom. Consumption	97	97	98	103	103	108	105	0	102 (1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Total Dom. Consumption	97	97	98	103	103	108	105	0	102 (1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Total Distribution	97	97	98	103	103	108	105	0	102 (1000 MT CWE)
CY Imp. from U.S.	10	10	10	18	18	26	0	0	21 (1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Balance Inventory	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Balance	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Weights	0	0	0	0	0	0	0	0	0 (1000 MT CWE)
Production Change	0	0	0	0	0	-17	0	-100	0 (PERCENT)
Import Change	15	0	15	7	7	12	2	-100	-6 (PERCENT)
Export Change	0	0	0	0	0	0	0	0	0 (PERCENT)
Trade Balance	-92	-92	-92	-98	-98	-103	-100	0	-97 (1000 MT CWE)
Consumption Change	14	0	14	6	6	10	2	-100	-6 (PERCENT)

(The conversion factor used to derive beef to carcass weight equivalent (CWE) is 1.36. Imports of beef bones are also included in the PS&D Table at a conversion factor of 1.0. Imports of beef variety meats (offal) are not included in the PSD table.)

Swine

Production

A recent pig inventory survey conducted in November 2006 showed that almost all categories are in a downward trend, prompting a smaller pig production in 2007. Pig slaughter is estimated at 9.45 million head in CY2007, off marginally from the Council of Agriculture's production target of 9.5 million. Preliminary CY2006 pig slaughter estimate is 9.75 million head.

Taiwan Hog Population Data

	Nov. 2005	May 2006	Nov. 2006
No. of farms	12,930	12,905	12,671
Pigs on farm	7,202,435	7,119,025	7,091,882
Boars	35,368	34,450	33,782
Sows/gilts	841,322	822,686	808,219
Sows	749,761	730,695	720,624
Gilts	91,561	91,991	87,595
Fattening pigs	6,325,745	6,261,889	6,249,821
Piglets	1,043,401	1,092,600	1,021,725
Under 30 kg	1,804,502	1,822,763	1,809,769
30-60 kg	1,745,124	1,707,433	1,735,104
Above 60 kg	1,732,718	1,639,093	1,683,223

Source: Council of Agriculture

In the survey, 85% of the hog farmers planned to keep the current herd size while 3% hoped to expand and 10% might cut down their operation scales.

Taiwan consumers cherish mature pork meat and pigs are usually raised longer, 6.5 to 7 months in average. Fat pigs in the auction markets averaged at 117.2 kg in 2006.

Prices

Pig auction prices lingered around NT\$5,000 per 100 kg in 2006. Sluggish pig prices combined with hiking feed prices prompted farmers' petition to the Taiwan authorities for assistance in stabilizing pig prices and sourcing cheaper feedstuffs other than corn imported from the United States. They claimed that the more pigs they raised, the more money they would be losing. Pig prices are being depressed further when farmers flooded the market with fat pigs at lighter weight. Industry representatives fear that even the Chinese New Year holiday, from February 17 to 25, 2007, that usually prompts meat demand, is not likely to boost pig prices. Despite the complaints, most farmers will just stop expanding or slow investments but keep the current operation with a hope not to be left behind when pig

farming becomes profitable again. Pig farming has been quite profitable in past years. Farmers are expected to weather the downs with profits accumulated in the past. On the other hand, the very high waste-water treatment cost makes it difficult for new producers to enter the industry.

Taiwan Pig Auction Prices (NT\$/100 kg)

Year/ Month	CY2004	CY2005	CY2006 (Preliminary)	July 2006	Aug. 2006	Sept. 2006	Oct. 2006	Nov. 2006	Dec. 2006
Prices	5,912	5,323	4,918	5,203	5,065	5,065	4,859	4,679	4,684

Source: National Animal Industry Foundation

Exchange rate: NT\$33.49=US\$1 in 2004; NT\$32.13=US\$1 in 2005 and approximately NT\$32.52=US\$1 in 2006.

Consumption

Taiwan used to slaughter nearly one third of its pigs for pork exports, virtually all to Japan. Exports to Japan peaked at 269,051 mt in 1996 until the foot-and-mouth (FMD) epidemic in March 1997. Prime meat was exported while pork offal (variety meats) was left for domestic consumption. Fewer pigs are raised after the FMD epidemic, leading a strong demand for pork offal that needs to be supplemented by imports. Retail prices of pork cuts and variety meats are tabulated below: (NT\$/kg, Source: Council of Agriculture)

Month/Year	Loin	Shoulder	Belly	Ham	Loin, bone-in	Short Ribs
CY2006	190.00	148.87	153.32	Ham	151.77	189.59
01/2006	191.43	153.34	157.71	144.76	151.00	191.38
12/2006	190.76	145.71	152.05	140.90	150.67	184.62

Time	Fore- leg	Hind- leg	Small Intestine	Large Intestine	Stomach	Heart	Kidney	Tongue	Liver	Back fat
CY2006	124.88	94.90	126.57	154.65	159.79	160.69	279.86	134.77	119.69	41.49
01/2006	130.52	93.05	122.76	155.10	159.53	162.96	284.81	136.76	121.00	42.81
12/2006	123.43	97.33	128.09	151.29	157.43	157.71	273.62	132.14	119.05	39.71

Taiwan consumers enjoy variety meats very much. Note from the above tables that kidney sells at the highest price, NT\$279.86/kg in 2006.

Farm prices of imported corn and hog feed are listed below to illustrate price hikes on feed: (NT\$/kg, Source: Council of Agriculture)

Month/Year	Imported Corn	Feed for Pigs under 30 kg	Feed for pigs 30-60 kg	Feed for pigs above 60 kg
CY2006	6.44	12.20	10.87	10.39
01/2006	6.12	12.09	10.78	10.30
12/06	8.18	12.70	11.34	10.92

Trade

Taiwan is a significant pork producer, and imports of pork are largely determined by relative prices between Taiwan and the rest of the world. Imports become significant when Taiwan pig prices are high and U.S. pork prices are low, while the 2006 situation was the opposite. The U.S. continues to be the leading pork supplier to the Taiwan market. U.S. pork picnics, for processing purpose, are still well accepted in Taiwan. CY2007 pork imports are estimated at 45,000 mt CWE, with the United States taking 58 percent of the market share.

Comparison of Taiwan Pork Meat Imports in CY2005 and CY2006 (mt, PWE)

Supplying Source	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Netherlands	Total Imports
2005	12,979	11,057	144	1,265	87	423	217	26,172
2006	10,919	6,706	102	221	175	121	115	18,359

Source: Council of Agriculture

Under Taiwan's WTO commitments, Special Safeguards (SSG) for pork belly and pork variety meats came into play since 2005. CY2006 SSG trigger volume and imports, CY2007 SSG trigger volume for pork belly and pork offal, are as follows: (mt)

	2006 SSG Volume Trigger	Preliminary 2006 Imports under SSG	2007 SSG Volume Trigger
Pork Belly	11,762.5	8,190	11,563.6
Pork Offal	23,637.5	19,947	21,979.6

Source: Council of Agriculture

The SSGs for both belly and offal were not triggered in 2006. Taiwan consumed less pork in 2005 than the 2004 level. This resulted in a smaller 2007 SSG volume for both pork belly and offal, as the calculation equation mandates.

Preliminary CY2006 pork belly and pork offal imported under SSG are as follows: (in mt)

	U.S.	Canada	Australia	Denmark	Sweden	Hungary	Finland	Neth.	Total
Belly	4,191	3,342	102	169	150	121	0	115	8,190
Offal	13,512	4,194	69	917	102	260	12	881	19,947

Source: Council of Agriculture

Taiwan's pork offal SSG only consists of 4 tariff items: pig hocks (HS 0206.30.20 and 0206.49.30), guts including intestines and stomachs (HS 0504.00.21) and prepared and processed pork offal (HS 1602.49.30). The above 19,947 mt of offal imports represent the sum of 12,555 mt of hocks and 7,392 mt of intestines (including rectum) and stomach. Not all pork variety meats are subject to the SSG. Imports of pork liver, tendon and other offal items, that totaled 5,913 mt in 2006, with 2,525 mt being supplied by the U.S., are not counted against the SSG. Imports of pork offal, whether or not classified under SSG, are not taken into account in the PSD table.

In 2006, the U.S. remains the leading supplier of pork offal, mainly hocks, rectum, stomach and cheek meat. Unlike pork meat that is used mainly by processors, pork offal is able to

penetrate into the catering, institutions, cheaper restaurants, cafeteria and night markets. Domestic pork offal is mostly taken as home consumption.

Policy

For decades, Taiwan only allowed imports of pure-breed Hampshire, Yorkshire, Duroc and Lanrace. The "Bershire" breed was approved in recent years. Imports of Bershire pigs totaled 78 head in 2004; 23 head in 2005 but nil in 2006. However, hybrid pigs are not permitted entry.

In order to prevent Avian Influenza from being introduced into pig/poultry herd by migratory birds, the authorities have launched an animal disease control program, with financial assistance, to require netting outside of pig/poultry stalls. Reportedly, over 90 percent of farms have filed requests for the financial assistance. Those farmers who ignored the new requirement are subject to a fine ranging from NT\$10,000 to NT\$50,000.

In May 2003, the World Animal Health Organization (OIE) recognized Taiwan's FMD status as free with vaccination. Taiwan announced in December 2006 that it had successfully eradicated FMD without vaccination in a trial at Penghu, an offshore islet that raised 15,000 pigs. The authority plans to take the same 4-stage approach, starting from April 2007 through July 2008, to do without FMD vaccination island-wide. If Taiwan maintains no FMD cases for one year, it should be able to apply to OIE for FMD-free without vaccination.

Taiwan has recently completed negotiation with Singapore to export raw pork, pending the final approval of the protocol by Singapore, expected in the spring of 2007. Prior to Taiwan's FMD epidemic in 1997, Singapore was one of Taiwan's pork markets. Exports peaked at 28,630 mt in 1992. The current waste-water requirements for pig farms will likely limit Taiwan from exporting much pork. However, farmers welcome a more diversified disposition of the occasional surplus of domestic pork.

In the long term, the very efficient Taiwan swine industry will continue to produce pork for the local market, with imports mainly used for processing or to supplement occasional shortfalls and with some exports of prime meat being exported to the more affluent countries like Singapore or Japan, that can afford costly Taiwan pork.

PSD Table

Country Taiwan

Commodity Animal Numbers, Swine

Commodity Animal Numbers, Swine							(1000 HEAD)(PERCENT)			
Market Year Begin	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY		
Total Beginning										
Stocks	6819	6819	6819	7172	7202	7172	7102	7102	7092	(1000 HEAD)
Sow Beginning										
Stocks	828	828	828	838	841	838	830	0	808	(1000 HEAD)
Production (Pig										
Crop)	11982	12000	11982	12100	12200	12100	12000	0	11800	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Supply	18801	18819	18801	19272	19402	19272	19102	7102	18892	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	9499	9650	9499	9750	9800	9750	9550	0	9450	(1000 HEAD)
Total Slaughter	9499	9650	9499	9750	9800	9750	9550	0	9450	(1000 HEAD)
Loss	2130	1967	2130	2420	2500	2430	2352	0	2242	(1000 HEAD)
Ending										
Inventories	7172	7202	7172	7102	7102	7092	7200	0	7200	(1000 HEAD)
Total Distribution	18801	18819	18801	19272	19402	19272	19102	0	18892	(1000 HEAD)
CY Imp. from										
U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Balance	0	0	0	0	0	0	0	-7102	0	(1000 HEAD)
Inventory										
Balance	353	383	353	-70	-100	-80	98	-7102	108	(1000 HEAD)
Inventory										
Change	1	0	1	5	6	5	-1	-1	-1	(PERCENT)
Sow Change	2	0	2	1	2	1	-1	-100	-4	(PERCENT)
Production										
Change	1	0	1	1	2	1	-1	-100	-2	(PERCENT)
Production to										
Sows	14.5	14.5	14.5	14.4	14.5	14.4	14.5	0	14.6	(PERCENT)
Trade Balance	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Slaughter to										
Inventory	139	142	139	136	136	136	134	0	133	(PERCENT)

(The conversion factor used to derive pork meat to carcass weight equivalent (CWE) is 1.43.

Imports of pork bones are also included in the PS&D Table at a conversion factor of 1.0.

Imports of pork variety meats (offal) are not included in the PSD table.)

Internet Resources

Most Taiwan (.tw) domain websites are only in Chinese, but the amount of English content is increasing.

<http://www.coa.gov.tw/english/index.htm> for agricultural statistics and general agricultural information (in English).

<http://www.baphiq.gov.tw> for Taiwan quarantine requirements (English version available).

<http://www.trade.gov.tw/english/index.htm> for trade statistics, trade rules, TRQ bidding rules and general trade information (English version available).

<http://www.customs.gov.tw> for tariff classification and rates, customs practice and SSG fill rate

<http://www.wto.org> The WTO website for information about Taiwan's WTO accession.

<http://www.doca.mof.gov.tw> for tariff reduction schedule (English version available) and TRQ implementation measures.

<http://210.69.119.40/seadb> for Special Safeguards application (Chinese only).

<http://www.naif.org.tw> for pig auction prices and pork retail prices (Chinese only).

<http://www.ams.usda.gov> for U.S. beef facilities eligible for exports to Taiwan and other EV Program requirements